

MACRO DAILY

30 May 2019

Macro developments

- In an effort to deepen the secondary market for corporate loans, RBI has constituted a task force to make recommendations on policy interventions, enable creation of a loan contract registry and devise measures for enhanced participation. For the development of housing finance securitisation market as well, RBI has constituted a task force to review the existing state of mortgage backed securitisation (MBS) in India and analyse the prevalent structures.
- US has removed India from its currency monitoring list in its semi-annual foreign exchange report. The report noted that India's exclusion is because it meets only one out of three criteria of having a significant trade surplus with the US for two consecutive Reports. India was placed on the list in Oct'19 along with China, Japan, Germany, Switzerland and South Korea.
- France confirmed that its GDP rose by 0.3% on a QoQ basis in Q1CY19, vs 0.4% in Q4CY18. The subdued performance was on the back of weaker GFCE (0.2% vs 0.4% in Q4) and GFCF (0.5% vs 0.6% in Q4). Export growth also fell sharply (0.4% vs 2% in Q4). However, led by tax breaks given after "yellow vests" protests, PCE rose by 0.4% vs 0.3% in Q4CY18.

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Markets

- **Bonds:** Global yields closed lower on escalating fears about US-China trade war. Apart from this, rising political tensions between Italy and EU also impacted yields. US10Y yield fell by 1bps (2.26%). Crude prices declined by (-) 0.9% (US\$ 69/bbl). India's 10Y yield fell by 3bps (7.12%) supported by buying from foreign banks and MFs. It was trading at 7.14% today.
- **Currency:** Global currencies closed lower as dollar strengthened. DXY rose by 0.2% on escalating US-China trade war. While EUR fell by (-) 0.3%, GBP, JPY and INR also fell by (-) 0.2%. INR opened slightly higher today, in line with other Asian currencies.
- **Equity:** Barring Shanghai Comp, all other indices closed lower with Dax losing the most (-1.6%). Dow fell by (-) 0.9% as US-China trade tensions persist. Disappointing economic data and election results impacted investor sentiments in Europe. Sensex opened higher today, while Asian markets were trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	2.26	(1)	(12)	(26)	(42)	(59)
UK	0.89	(3)	(12)	(27)	(38)	(37)
Japan	(0.09)	(2)	(3)	(5)	(7)	(13)
Germany	(0.18)	(2)	(9)	(18)	(33)	(55)
India	7.12	(3)	(13)	(28)	(35)	(66)
China	3.30	(3)	(3)	(14)	12	(32)
2Y yields (Δ bps)						
US	2.11	(2)	(11)	(18)	(39)	(30)
UK	0.60	(1)	(10)	(15)	(23)	(5)
Japan	(0.17)	(1)	(2)	(2)	(1)	(3)
Germany	(0.65)	0	(2)	(7)	(12)	1
India	6.51	(3)	(6)	(28)	(25)	(108)
China**	2.57	(2)	(3)	(9)	16	(60)
Currencies (Δ %)						
EUR	1.1131	(0.3)	(0.2)	(0.5)	(2.1)	(4.6)
GBP	1.2626	(0.2)	(0.3)	(2.4)	(5.1)	(5.0)
JPY	109.59	(0.2)	0.7	1.8	1.3	(0.6)
AUD	0.6917	(0.1)	0.5	(2.0)	(3.1)	(8.7)
INR	69.83	(0.2)	(0.2)	0.3	2.0	(3.6)
CNY	6.9145	(0.1)	(0.1)	(2.7)	(3.4)	(7.7)
Equity & Other indices (Δ %)						
DOW	25,126	(0.9)	(2.5)	(5.4)	(3.3)	1.9
FTSE	7,185	(1.2)	(2)	(3.4)	1.1	(6.6)
DAX	11,838	(1.6)	(2.7)	(4)	3.1	(7.4)
NIKKEI	21,003	(1.2)	(1.3)	(5.6)	(2.6)	(4.6)
Shanghai Comp	2,915	0.2	0.8	(4.8)	(1.3)	(4.2)
SENSEX	39,502	(0.6)	1.0	1.1	10	13.2
Brent (USD/bbl)	69.45	(0.9)	(2.2)	(3.6)	4.6	(10.4)
Gold (USD/oz)	1,280	0	0.5	0	(3)	(1.7)
CRB Index	415.4	(0.5)	0.4	(1.6)	0.5	(6.8)
Rogers Agri Index	746.8	0.1	3.3	3.0	(1)	(12.9)
LIBOR (3M)*	2.52	0	0	(6)	(10)	22
INR 5Yr Swap*	6.71	(7)	(23)	(41)	(42)	(41)
India FII data (US\$ mn)						
	28 May	27 May	WTD	MTD	CYTD	FYTD
FII-Debt	139.6	156.6	296.2	282.6	(18.7)	(1,035.1)
FII-Equity	671.0	422.5	1,093.5	997.8	10,765.1	2,470.4

Source: Bloomberg, Bank of Baroda | *Indicates change in bps, ** 1Y yield

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